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IMPLEMENTATION OF MANAGEMENT EXCELLENCE IN UNICEF

SUMMARY

The present report responds to the Executive Board's request for regular reports on the Management Excellence Programme (MEP), originally made in decision 1995/25 (E/ICEF/1995/9/Rev.1). It describes recent progress in implementing MEP decisions, especially in the area of internal governance, and describes actions taken in response to the external consultancies on information technology, financial management and supply operations. Annex I contains a matrix that provides an overview of MEP implementation in relation to the Booz•Allen & Hamilton study. Annex II contains an organigram illustrating the current organization of the secretariat.

The present report should be read in conjunction with the revised integrated budget for the biennium 1996-1997 for headquarters and regional offices (E/ICEF/1997/AB/L.5), which provides details on organizational changes at headquarters that have budgetary implications.

* E/ICEF/1997/2.

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DEVELOPMENT OF AN INTERNAL GOVERNANCE SYSTEM

1. The Global Management Team (GMT) is now operational, having held its first meeting on 23 and 24 September 1996. Members agreed on the team's working methods for fulfilling its role as the body that will guide strategic planning and policy formulation in UNICEF. It will also advise the Executive Office on major organizational priorities, the use and allocation of resources, and oversight and evaluation of organizational performance against agreed standards. GMT members are also responsible for leading implementation of the Management Excellence Programme (MEP).

2. Although the GMT will meet periodically, usually in connection with Executive Board meetings, it will function as a permanent advisory body for the Executive Office, using electronic means to maintain continual dialogue.

3. The GMT is providing guidance on revised procedures for managing the country programme process, using recently redefined roles for country offices, regional offices and headquarters, as described in the previous report on MEP (E/ICEF/1996/AB/L.13), and on strengthening the human resources function throughout the organization. The ability to manage people effectively will increasingly be an area of competence against which every UNICEF supervisor will be assessed. This and other related human resources issues present major challenges for UNICEF. For this reason, the January 1997 meeting of the GMT will focus on a range of human resources issues, including reorienting the work of the Division of Human Resources from personnel administration to strategic human resources planning and management, and the handling of such specific processes as recruitment and placement, training, grievances and disciplinary actions.

4. Regional management teams are being established in all regions. Office management teams are already functioning in many UNICEF country locations and New York divisions. Descriptions of the work of the management teams for different locations will be highlighted in subsequent MEP progress reports as the experiences of these teams accumulate and are assessed.

MANAGEMENT EXCELLENCE WORKING GROUPS

5. In implementing the concept of teamwork as a preferred approach for accomplishing specific tasks, several MEP activities continue to be handled by flexible teams. Currently, there are teams working on (a) defining new work processes related to decentralization of country programme support functions; (b) the changing role of geographic desks in New York; (c) the reorganization of the Office for Europe, Geneva, as a focal point for managing relations with National Committees for UNICEF; (d) the development of an information technology strategy for UNICEF; and (e) implementation of new personnel policies. Proposals for implementation will be presented to the GMT for review and will be shared regularly with the Executive Board.

INCREASING THE EFFECTIVENESS OF OPERATIONS SYSTEMS

6. The GMT has reviewed follow-up action resulting from the external consultancies on financial management, information technology and supply systems. The critical priorities for moving forward have been identified, including the need for an overall corporate training strategy to develop staff skills that will be necessary as new systems and procedures are introduced for these three areas.

Financial management system

7. The external study on financial management has made recommendations on clarifying accountabilities for financial management functions and has identified the need to develop a single, unified financial system to meet the organization's current and future needs. The system, to be developed during 1997, will be designed to support integrated budgets, provide greater transparency in reporting and make closures simpler and quicker. All UNICEF locations will have access to the system to obtain current information for decision-making and to assess availability of resources and related trends. Field offices will enter data through the Programme Manager System (PROMS). The Division of Financial and Administrative Management (DFAM) is currently evaluating options for acquiring a new system, including the United Nations Integrated Management Information System (UNIMIS). The new system should become operational in 1998.

8. Actions already taken on recommendations from the external study on financial management include: (a) the consolidation of budget-related functions formerly carried out by various headquarters divisions within DFAM; (b) interim modifications to the existing financial management system, resulting in a 25 per cent reduction in the time required for reconciliation of accounts; (c) the adoption of integrated budgets for headquarters and regional offices by the Executive Board at the second regular session of 1996; and (d) the preparation of integrated budgets for field offices in 1997.

Information technology

9. The information technology study proposed the establishment of an information management function that is distinct from but linked to the information technology function. The Interdivisional Systems Coordination Group has been created to guide the development of an integrated management information system for UNICEF, including programme management information, financial management, supply logistics and personnel systems. A governance process for prioritizing projects and services is being developed to ensure that limited resources are invested in developing systems that are a priority for the organization.

10. Other recent progress includes a 45 per cent increase in global e-mail connectivity of UNICEF offices over the past year, from 71 field offices in October 1995 to 160 in October 1996. E-mail traffic has increased by 182 per cent in the last six months, with a 47 per cent reduction in telephone charges at headquarters.

11. The initial phase of PROMS development is almost complete and the first field test took place in the office in Peru in November 1996. The office will begin full use of PROMS in January 1997, followed by the UNICEF office in Turkey in February 1997. One office per region will begin to use the PROMS system by April 1997, and each will then serve as a training centre for the region. All offices will transfer to PROMS between May and December 1997.

12. A working group, with field participation, is currently developing a strategy to guide the use of information technology over the next 3-5 years. This group will define technology needs, recommend strategies to meet the identified needs and define roles and responsibilities for the information technology function at country, regional and headquarters locations. Proposals will be ready by February 1997. The office of Information Resources Management will be reorganized during 1997. Budgetary implications, if any, will be reflected in the 1998-1999 budget for headquarters and regional offices.

The supply function

13. Benefiting from the external consultancy, Supply Division has initiated a change process focused on providing excellent support to country programmes. To build broad-based ownership of the changes, the process has involved all staff working in the supply function, as well as a cross-section of field "customers". A basic guiding principle of the exercise is that children need essential supplies for their survival, protection and development, and UNICEF must be concerned with ensuring this access, whether or not such supplies are provided as part of UNICEF programmes of cooperation. This implies that the supply function in UNICEF should develop the capacity to provide advisory services to national partners on meeting essential supply needs for children, as well as supporting procurement aspects of UNICEF programmes.

14. Supplies continue to be an important component of UNICEF programmes of cooperation, and greater integration of supply and programme functions is essential. Developing and managing these linkages will be the subject of a meeting at the end of 1996 between staff in the Supply Division and staff working in the programme area.

15. Another focus of the transformation process is substantial decentralization of supply functions to country offices. This process will include considerable attention to training and staff development to ensure that country offices have the capacity to assume new responsibilities, within clear guidelines for accountability. Decentralization also implies that Supply Division will need to become an effective knowledge centre with the capacity to provide the organization with updated information on products, suppliers, prices and quality standards. It will also continue to have an important role in the procurement of key commodities and procurement for emergencies and to support country offices that are unable to assume greater responsibility for managing procurement functions.

16. Improved service for customers will be ensured by reorganizing departments around both functional and geographic responsibilities. Improvements are already being made in work processes, particularly in warehouse manageme , resulting in considerable savings from smaller inventories and reduced staffing.

Several activities for the redesign of work processes based on "total quality management" principles have begun to reduce supply-cycle time and costs. The inventory has been reduced from a high of $35 million to $27 million and continues to fall. Warehouse staff have been reduced by 60 per cent, which will result in overall savings of $1.4 million. The results of the study on inventory management, which have guided this process of redesign, will actually have an impact on all parts of the supply chain, including procurement and shipping. Further changes with budget implications will be introduced in the 1998-1999 budget proposals.

ORGANIZATION OF THE SECRETARIAT

17. Guided by the work of all MEP teams, the reorganization of the secretariat has been an evolving process throughout 1996. The diagram in annex II illustrates the current organization of the secretariat. It reflects the reduction in the number of headquarters divisions from 19 to 15; the agreement that the UNICEF Office for Europe should have the same status as regional offices in addition to responsibility for National Committees for UNICEF; the agreement that country offices will report to the Executive Director through regional directors; and the decision to reactivate the Programme Group, coordinated by the Director, Programme Division, as a mechanism for ensuring effective collaboration between divisions whose work is closely related.

Annex I

FOLLOW-UP ACTION IN RESPONSE TO THE BOOZ•ALLEN & HAMILTON STUDY

BAH RECOMMENDATIONS	IMPLEMENTATION TO DATE
Mission and emergencies	
Reconsider overall mission, and emergencies in the context of mission, as demanded by pressures of United Nations reform and increasing level of emergency situations. Clearly define nature of the role of UNICEF in emergencies - options include selecting a particular functional role or using a spending cap over a period of years. Improve operational effectiveness in emergencies through increased preparedness, more proactive staff deployment, increased support of countries and increased cost-effectiveness.	* Mission Statement adopted by the Executive Board in January 1996 stresses role of UNICEF as advocate for the survival, development and protection of children, and the organization's commitment to protection of children's rights and provision of basic services, especially for the most disadvantaged, through country programmes of cooperation. * Paper on strategic priorities and operational concerns in emergencies, being presented to the Executive Board at the first regular session of 1997, clearly defines role of UNICEF in emergencies. * UNICEF collaborating with DHA and other agencies in defining responsibilities for areas of coordination, resource mobilization, internally displaced people, land-mines and sanctions. UNICEF supporting IASC coordination and decision-making role for inter-agency collaboration, in addition to supporting follow-up on Economic and Social Council resolution 1995/56 on strengthening of coordination of emergency humanitarian assistance of the United Nations and presenting a paper to the Executive Board on follow-up to the Council's resolution to the first regular session of 1997. * Memorandum of Understanding signed with UNHCR specifying joint and respective responsibilities in emergencies, and with ILO on child labour. MOU discussions under way with WFP, WHO and Commissioner for Human Rights. * In 1996, UNICEF and UNHCR jointly produced a training/management package for field staff consisting of priority action handbook, a training video, unaccompanied children kit and emergency registration book. * Since 1991, over 700 staff have participated in emergency management training workshops. * UNICEF has participated in the Complex Emergency Training Initiative and is currently preparing two training modules on humanitarian principles and consolidated appeals for use by all United Nations agencies working in complex emergencies. * Emergency Operations Centre established at New York headquarters.

Annex I (continued)

Financial systems	
Build "transparency" into the UNICEF value system; a standard for staff performance - not only "Is it right?", but also "Is it clear? Can it be understood? Can it be readily demonstrated?".	* Guiding Principles for Staff Commitment and Conduct adopted in January 1996. Principles based on staff survey that had a 50% response rate indicating staff commitment to building a more effective and efficient UNICEF. Assessment systems being established.
Build transparency and accountability into process design and organization change criteria, e.g. the division of accounting responsibilities, responsibility for cash balances, etc.	* CD-ROM containing up-to-date UNICEF rules, regulations, procedures, guidelines and manuals distributed to field offices in October 1996. A large number of field offices to have online access to current rules and regulations by 1998.
Eliminate double budgeting; integrate programme and administrative budgets for country offices; develop a more analytical budgeting process.	* Integrated budgets for headquarters and regional offices adopted at the April 1996 session of the Executive Board.
Improve transparency in process for presenting multiple budgets to the Executive Board.	* Integrated budgets for country offices will be submitted for the 1998-1999 biennium.
Implement improvements in global funds budgeting and reporting.	* Harmonization of budget methodologies and presentations to respective Executive Boards by UNDP, UNICEF, UNFPA in 1998. Joint UNDP/UNICEF paper on harmonization being presented at the Executive Board's first regular session of 1997.
In collaboration with IRM, upgrade information systems in the field and at headquarters to facilitate field data submission, headquarters financial closures, etc.	* General resources global funds phased out with exception of Emergency Programme Fund with clear guidelines.
Modify headquarters organization structure to include all accounting functions; all budgeting within the Division of Financial Management.	* UNICEF financial management systems study completed in 1996 and development under way of unified financial management system to meet organization's current and future needs. DFAM currently evaluating vendor options, including UNIMIS, to acquire appropriate system.
Build field capabilities to handle transaction processing and monitoring.	* Interim modifications made to current financial management system has resulted in 25% reduction of time required for reconciliation of accounts.
Enforce policies concerning reporting use of cash assistance.	* Budget-related functions of Programme Statistics Section of Programme Division and Office of Administrative Management transferred to Division of Financial and Administrative Management in May 1996. Functions include: budget information in CPRs; biennial budget documents; budget authorization; programme budget control and monitoring; and programme budget system, procedures and training on budget process. * PROMS designed to focus on strengthening transaction processing, monitoring and reporting on cash assistance to improve oversight.

Annex I (continued)

Information systems	
Generate strategic guidelines for information resource management; where IRM fits into profile of overall mandate and goals of UNICEF, including concepts of return to investment "What is it worth for UNICEF to have 'Capability X'?". Conduct comprehensive review of IRM mission and business processes. Undertake programme and organization changes to address improvement opportunities, e.g. new assessment of outsourcing. Implement business process changes to realize improvements in service levels. Review PROMS in terms of scope, costs and senior management support. Re-evaluate migration project for cost/value relationship and business risk.	• Information technology study completed in 1996. • Governance process for prioritizing projects and services being established. • Working group currently developing a strategy to guide UNICEF use of information technology over the next 3-5 years. This includes defining needs, strategies to meet the identified needs, definition of roles and responsibilities for the information technology function at country, regional and headquarters locations. Proposals to be ready by February 1997. Full reorganization of IRM to take place in 1997, with possible impact on 1998-1999 budget proposals. • Interdivisional Systems Coordination Group established to guide the development of an integrated management information system, including programme management information, financial management, supply logistics and personnel systems. • Global e-mail connectivity among UNICEF offices has increased by 45% over the past year (from 71 field locations connected in October 1995 to 160 in October 1996). E-mail traffic has increased by 182% in the last six months, with a 47% reduction in the cost of telephone charges in headquarters. • To strengthen global data connectivity, proposals for outsourcing being sought from commercial companies in conjunction with UNDP and UNFPA. Study under way to assess proposals in the context of a telecommunications strategy. Separate study to be undertaken in 1997 to formulate disaster recovery approach to UNICEF data centre and formulate operating procedures. • Help Desk function supporting users at headquarters has been reorganized to be more responsive. • Risk analysis undertaken for PROMS project, new project leader and team in place, scope redefined, budget for development and rollout revised and development of PROMS 1 almost complete. First field test took place in UNICEF Peru country office in November 1996. Full use of PROMS to commence in Peru in January 1997, and in the UNICEF Turkey office in February 1997. One office per region will begin to use PROMS by April 1997, serving as regional training centres. All offices to begin use of PROMS between May and December 1997. • New financial system to be integrated with PROMS and UNIMIS. Revised plan formulated for migration of remaining systems off WANG computers.

Supply	
Integrate Supply Division more effectively into the field operations of UNICEF rather than "spinning it off" as an outside, self-financing, quasi-commercial operation. Invest in systems analysis and re-engineering to improve productivity, delivery time and cost-effectiveness; information management will be an important element. Develop operating policies aimed at high performance in terms of customer service levels to UNICEF emergencies and UNICEF country organizations before looking outward to broader customer base. Institute improved monitoring to provide a continuous "read" on customer satisfaction.	• UNICEF supply function study completed in 1996. • Supply Division has begun a process of reform and reorganization. The process has involved Supply Division staff and a cross-section of "customers". • A goal of the transformation is a substantial decentralization of the supply function to country offices, with appropriate authority and accountability. Training is a major focus. • Supply Division reforming itself to become a knowledge centre with capacity to provide updated on line information on products, suppliers, catalogues, price lists, technical bulletins, quality considerations, etc., in addition to its continuing role in procurement of key commodities and in cases where UNICEF country offices still require central procurement services, especially in emergencies. • Supply-cycle time and costs being reduced through work process redesign, improved warehouse output and inventory level in Copenhagen. Inventory reduced from $35 million to $27 million. Warehouse staff reduced by 60%, which will result in savings of $1.4 million. Results of the study on inventory management used to guide process of redesign, having an impact on all parts of supply chain, including procurement and shipping.

Structure	
Introduce an Associate Executive Director to provide internal administrative leadership at the highest level; retain external orientation in the Executive Director position. Form a Strategy Committee comprised of external class experts for broad counsel on substantive strategic choices. Increase priority and accountability of human resources and greeting card business by having them report directly to the Associate Executive Director. Introduce Oversight Group, including Internal Audit as well as "Field Oversight" to ensure integrity in performance data reporting.	• Global Management Team (GMT), led by the Executive Director, established in September 1996 to provide leadership and direction of UNICEF activities worldwide. • New York Office Management Team, led by a Deputy Executive Director, established in June 1996 with responsibility for effective and efficient operation of headquarters and ensuring cross-functional coordination among New York Divisions. Two Deputy Executive Directors to support Executive Director in fulfilling functions of the Executive Office, responsible for oversight of division directors at headquarters. • Use of flexible teams, including external experts, being institutionalized as an effective way of bringing state-of-art knowledge, talent and experience together for problem solving and to advise on strategy development and policy formulation.

Annex I (continued)

Structure (continued)	
Position field management organization as a stand-alone entity, including countries, regions, supply, emergency, evaluations and research, data and statistics, and programme information. Rely on regions to be team leaders, counsellors and quality controllers in field management unit; empowered to point just short of making country representatives' decisions for them. Redeploy geographical sector desk functions to regions and field management group leadership. Maintain programme policy and development at headquarters. Create a single external relations communication unit. Increase visibility and priority of National Committee management and non-governmental organization (NGO) relations. Increase effectiveness of finance and information systems effectiveness as a consequence of more focused group portfolio.	• External study on profitability of greeting card and product sales to be completed December 1996. GCO reorganization pending study recommendations on changes in reporting relationships and structure. • GMT current focus on strengthening human resources function, including transformation of the Division of Human Resources. • Country programmes reaffirmed as central strength of UNICEF; roles of regional and headquarters offices redefined based on assessment of functions that add value to the country programme or provide economies of scale for the organization. • Office of Internal Audit strengthened by additional financial and human resources for the 1996-1997 biennium, as agreed at April 1996 Executive Board session. • Country representatives to report to regional directors to increase accountability and oversight, and to establish a more realistic span of supervision. • Responsibility for clearance of country programme recommendations (CPRs) for submission to the Board will be transferred from headquarters to regions to shorten programme planning process and approval process. Preparation of country programme management plans (CPMP) now a prerequisite for submission of CPRs to the Board, including planning for use of resources, human, financial, supply/logistics, information, communication and other programme inputs. Annual management reviews required to monitor resource use. • Headquarters being streamlined; 19 divisions reduced through consolidation to 15 divisions. • Zero nominal growth administrative and programme support budget adopted for 1996-1997.• Flattened senior management structure. Line managers identified as decision makers. • Regional management teams established to advise on policies, strategies, human and financial resource allocations, monitor implementation, evaluate regional results and lessons learned. Regional management teams responsible for clearance of country programmes. Country representatives to report to regional directors and participate as members of regional management teams.

Annex I (continued)

Structure (continued)	
	• Functions of geographic desks under review. Proposal for revision of role due March 1997. • Programme functions carried out at headquarters to provide state-of-the-art knowledge on main business of UNICEF, guide programme policy formulation and strategies reflecting linkages to United Nations system and Executive Board; disseminate global experiences and lessons learned. • Communication and advocacy functions previously located in four headquarters divisions (Division of Information, Division of Public Affairs, GCO and Programme Division) consolidated in 1996 into one Division of Communication. • Geneva Office being reorganized to assume responsibility for managing relations with National Committees for UNICEF. • Responsibility for global relations with civil society organizations consolidated within Programme Division. • Interdivisional Systems Coordination Group established to ensure development of one integrated management information system to include PROMS, the new financial management system, the supply system and UNIMIS-Human Resources.

Accountability and cost-effectiveness	
Through leadership, role-modeling, training and reinforcement, shape the UNICEF culture into one in which accountability is clearer and taken seriously. Empower auditors and oversight unit to monitor accountability, but depend even more on impact of overall "value system change". Principles of accountability apply to cost-effectiveness. As stewards of funds for children, all staff must assume accountability for prudent management of that trust. Ensure that accountability principles are enforced by process for appraisal, promotion and reward. Separate out personnel who are unable to honour that trust at any level.	• Guiding Principles for Staff Commitments and Conduct adopted January 1996, including principle that staff pledge to make responsible use of UNICEF resources, knowing they are custodians of resources for children. Assessment systems being established. • Working group currently reviewing existing performance appraisal systems as part of Performance Management System development. • Policies being reviewed for sanctions and rewards systems, including introduction of new approaches to handle separation of staff performing below par through appraisal process and separation schemes. • GMT current priority is strengthening the human resources function throughout the organization. Handling of grievances and disciplinary actions will be topic for the GMT in January 1997.

Annex I (continued)

Programming	
Focus headquarters technical advisers on maintaining expertise and developing policies. Increase priority and urgency at International Child Development Centre; integrate into strategic planning process. Technical advisers do not manage field priorities; this to be done by field management organization. Introduce more checks on country representative accountability through field management organization, including regions and oversight group, including Internal Audit. Shorten the country programme planning process; reduce cost and increase timeliness. Increase mid-programme flexibility through the proactive use of mid-term and annual reviews. Consider conducting programme plans more than once every five years. Consolidate monitoring (data gathering) functions of all headquarters units. Develop monitoring formats which acknowledge the operating complexities of UNICEF work, including the inputs of Governments and NGOs affecting results. Rely on regions to bring new value, "checks and balances" to country evaluation process. Continue building "lessons learned" database and build field use.	• Headquarters to provide overall policy guidance reflecting linkages to United Nations system and Executive Board, and strategic planning and oversight for the organization as a whole. Programme functions at headquarters to provide state-of-the-art knowledge on main business of UNICEF, guide programme policy formulation and strategies, disseminate global experiences and lessons learned. • Programme Group reactivated in 1996 includes Programme Division; Evaluation, Policy and Planning; ICDC; and Emergeny Operations. ICDC plans for 1997-1999 approved by Executive Board at third regular session of 1996. • Role of headquarters technical advisers being reviewed to ensure headquarters focus on managing knowledge of the organization and guiding application of policies, and operational focus maintained in country offices. • Country representatives to report to regional directors to increase accountability, oversight and realistic span of supervision. PROMS designed to contain facility for holding representatives accountable for resource allocation decisions which can easily be identified by regional offices and headquarters. • Regions to be made responsible for clearance of CPRs for submission to the Executive Board, which will increase oversight and quality and shorten programme planning process and approval process. • CPMP process redefined, including guidelines for annual management plans and reviews. Country office management teams assess country programme performance, manage country programme plans and objectives. Regional offices responsible for oversight of country office performance. • PROMS designed to facilitate annual planning and regular revision of programme plans in line with country needs. • Review of Programme Group functions and work processes taking place, including streamlining of monitoring functions to limit data requests to field offices. • PROMS will record UNICEF cash assistance to Governments and NGOs for monitoring purposes. Government and NGO inputs to joint programmes and projects can be included in project workplanning and reporting components of PROMS.

Programming (continued)	
	• Regional management teams to evaluate regional results and lessons learned. Country representatives reporting to regional directors to increase accountability, oversight and realistic span of supervision. • Evaluation database, including evaluation results and lessons learned, distributed organization-wide on CD-ROM. Field offices accountable for ongoing data entry of lessons learned. Evaluation database being considered for incorporation into PROMS. Information management function being strengthened as a generic function of all UNICEF offices.

Global goals	
Introduce a collaborative process for goals definition on an ongoing basis; regions to coordinate country inputs for dialogue with headquarters. Derive target levels based on analysis of technical possibilities and "best case" examples available. Set differential target levels from the start to recognize different country starting points, rather than requiring a special concessions process. Eliminate use of global funds (Programme Funds for the 1990s Goals) for headquarters staff. Articulate clear principles for global funds allocation to field offices and implement in a transparent way. Require explicit reporting on the use of global funds allocations towards goals objectives.	• Global, regional and country office management teams established to determine management priorities, guide setting of organizational strategies and policies, provide oversight and evaluate performance. • General resources global funds phased out with exception of Emergency Programme Fund (EPF). Existing EPF guidelines being re-examined to take into account: (a) need for resourcing of global emergency needs in the fields of coordination, security, communication and information, and other issues; and (b) rationalizing disbursement procedures.

Annex I (continued)

Human resources	
Focus attention on resolving distress level; restore integrity to key human resources process. Minimize redefinition of posts. Revise rotation policy; limit required relocations; where required, enforce with few special concessions. Simplify international Professional recruiting process; minimize senior interventions. Decouple merit recognition from post advancement process. Implement thorough evaluation process for all staff; develop means to handle non-performers. Clearly articulate staff development opportunities and "how-tos" for advancement, particularly for General Service staff. Link training programmes to needed staff skills. Update personnel policies manual; assess entitlement processing demands, and re-evaluate staffing as needed.	• GMT current priority on strengthening human resources function throughout UNICEF. Transformation of the Division of Human Resources under way. • Accelerated handling of recruitment, placement, entitlement and separation processes. Easier access to human resources information to support recruitment, rotation and career-planning decisions. • New integrated budget procedure allows for review of posts during country programme preparation and adjustments at mid-term reviews which will reduce ongoing post redefinition. • Working group currently exploring implications of delinking post grade from personnel grade to allow recognition of merit and greater flexibility in staff deployment. • Revised personnel policies manual completed. Simplified employee access to human resources regulations, rules and directives being put in place. Staff capacity for entitlement processing increased through outsourcing to expedite clearance of backlog of pension and personal advances recoverable.

Information and communication	
Integrate activities; instill focal leadership in a single organization unit. Create communication strategy guidelines drawn from UNICEF core mission and goals. Restructure resources to facilitate coordination and internal support and coherence; simplify processes; fortify publication review process. Ensure New York/Geneva operational cooperation and harmony. Invest selectively in field effectiveness analysis, including survey of editors and journalists, at least once every two years. Apply cost-effectiveness criteria to media and editorial spending decisions; monitor funds, production costs, staff time; develop actions plans by audience segment. Introduce effective budgeting process and meaningful measurement process for communication results. Help launch proactive programme for supervising external relations activities of National Committees.	• Communication and advocacy functions previously located in four headquarters divisions (Division of Information, Division of Public Affairs, GCO and Programme Division) consolidated in 1996 into one Division of Communication. • Board paper on communication strategy being presented at the 1997 annual session. • Based on consultative process, Division of Communication restructured in 1996 into six cross-functional sections allowing for a more coherent and logical deployment of human and financial resources. Publications Review Committee, chaired by a Deputy Executive Director, established to to set annual publications programme and review planned publications in terms of cost, utility and potential audience. • The Division of Communication undertaking studies, evaluations and opinion/market research projects to assess effectiveness and utility of major communication programmes and activities. The research programme in Division of Communication has been strengthened through reallocation of posts pending Board approval.

Fund-raising	
Introduce more effective "traffic control" of country representatives to donor capitals. Investigate potential improvements in supplemental donation processing through joint development with donors of universal standards. Separate greeting card business and private sector fund-raising units; put qualified experience, know-how into each function.	• Regional directors currently approve requests for country representatives to travel outside of duty station. Travel to donor capitals is requested through Programme Funding Office after approval by regional director. • Administrative Instruction issued instructing representatives not to travel to donor capitals without proper authorization. • New Director of GCO, with expertise in private sector marketing, assumed position 1 September 1996.

Annex (continued)

Fund-raising (continued)	
Dedicate efforts to turn-around of greeting card business, including focused efforts on high sales potential markets; streamlined design selection; improved inventory management; and revised approaches to spurring creative market development. Consider opportunities to expand product offerings substantially to include items such as novelty items, toys, etc., with the aid of marketing and retailing experts (avoid tax "pitfalls"). Examine opportunities to reduce costs of private sector fund-raising; consider National Committee commissions and other cost items. Manage National Committees more proactively through (newly strengthened) external relations manager. Modify and manage National Committee commissions and costs over time.	* External study on the profitability of greeting card and product sales (Coopers & Lybrand) to be completed end 1996. Results will form basis of a business plan to maximize income from cards and product sales, and for development of strategies, structures and processes to improve GCO. * Recommendations of Coopers & Lybrand study will directly address strategies for expanding business, relationship between cards and products and other private sector fund-raising. * Geneva Office identified as focal point for managing relations with National Committees. Further work being carried out to define required structure and competencies of the Geneva Office to effectively fulfil this new responsibility.

NGOs and other agencies	
Increase commitment to working with partners to better leverage UNICEF skills and resources. Promote this priority from the most senior levels in the organization Implement changes in daily country operations, such as including relevant NGOs in the programme planning process.	* Responsibility for global relations with civil society organizations consolidated within Programme Division. * New model Project Cooperation Agreement between UNICEF and NGOs issued in January 1996, standard letter of agreement with community-based organizations to be issued early 1997. * Guidelines for overall NGO cooperation currently being prepared. Guidelines for financial allocations to NGOs to be issued early 1997.

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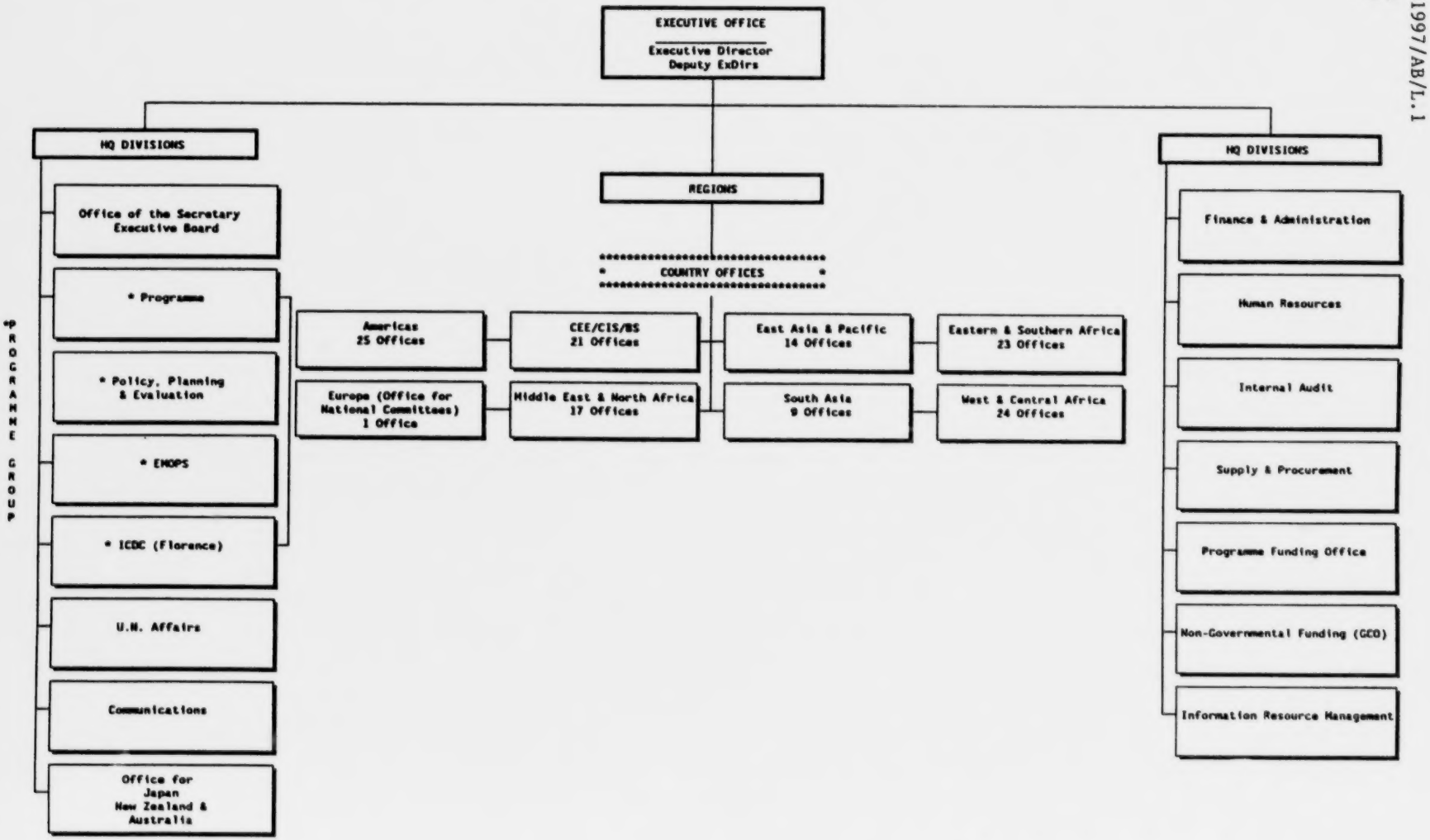
Governance	
Make conscious decision to launch a "new era" of support, collaboration, transparency and accountability between Board and secretariat. Review and redefine roles; Board priorities are policy, strategy and oversight; secretariat priorities are strategy and effective management. Develop basic strategy plan as key to dialogue. Use meeting agenda as the "lever" which focuses the Board on most important issues; consider agenda planning on annual cycle.	• Members of Executive Board and secretariat met informally to discuss respective roles and ways in which cooperation can be further strengthened. • Annual work plan adopted by Executive Board at last regular session of each year to facilitate most appropriate allocation of time and focus work of the Executive Board for subsequent year.

Annex II

ORGANIZATION OF THE UNICEF SECRETARIAT
JANUARY 1997



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REPORT ON THE AUDIT OF THE KENYA COUNTRY OFFICE BY THE OFFICE OF INTERNAL AUDIT

SUMMARY

This report responds to Executive Board decision 1995/27 (E/ICEF/1995/9/Rev.1), adopted at the third regular session of 1995, in which the secretariat was requested to report to the Board at each session about all future audit activity in the Kenya office until the matter is resolved.

* E/ICEF/1997/2.

INTRODUCTION

1. This report responds to Executive Board decision 1995/27 (E/ICEF/1995/9/Rev.1), adopted at the third regular session of 1995, in which the secretariat was requested to report to the Board at each session about all future audit activity in the Kenya office until the matter is resolved.

I. OUTCOME OF THE FOLLOW-UP AUDIT

2. UNICEF internal auditors undertook a follow-up audit in September 1996. Since then, management has been finalizing implementation of audit recommendations and further strengthening internal controls in the Kenya country office. The Director of the Office of Internal Audit was able to confirm in mid-November 1996 that all but 10 of the 67 audit recommendations originally made had been finalized in their entirety and that good progress had been made in implementing the outstanding recommendations.

3. The auditors could see that over the past 18 months, considerable efforts had been directed towards reconciling accounts, reconstituting records and liquidating outstanding cash assistance. Moreover, support was now being sought from the Kenyan Auditor-General to justify liquidating the remaining outstanding assistance. But the auditors could also see that in some cases the necessary records and files were missing and could not be reconstituted. Consequently, further work in those cases would be fruitless. However, the Kenya office is expected to:

(a) Maintain a strong internal control framework within the Kenya country office and also ensure that strong controls exist within all recipients of assistance;

(b) Provide clear evidence that such controls are operating in practice.

4. The auditors concluded that a strong internal control framework existed, but that the controls had not yet been fully tested because the current UNICEF programme did not yet involve a sufficient volume of transactions. The auditors expected to be able to give an assurance that strong internal controls are operating in practice following their next regular audit of the Kenya country office.

5. The UNICEF programme is now more focused, with only six components and a correspondingly reduced number of projects. It has been possible to reduce the number of staff from 254 in January 1995 to 78 in November 1996.

6. As a result of the original audit, 23 staff had been summarily dismissed. All cases had been referred to the Kenyan authorities. The UNICEF auditors had cooperated fully with the six officers working on the cases during their follow-up audit and had been impressed by the seriousness they attached to the task. The first case went to trial in late October 1996.

II. ILLUSTRATIONS OF THE INTERNAL CONTROLS NOW IN PLACE

7. At the third regular session of the Executive Board in September 1996, one delegation requested information on the internal controls now in place. The UNICEF auditors identified the following illustrations:

(a) Procedures manuals covering both operations and programme activities had been prepared by local management. These had been further refined and will be used as the underlying base for internal controls in the Kenya country office;

(b) Training was being provided to staff to strengthen their understanding of internal controls within the office;

(c) The office had taken action to strengthen internal controls within counterparts (non-governmental organizations and government agencies). At the suggestion of the auditors, the office had implemented procedures to:

(i) Establish a profile of counterparts showing their track record (quality of documentation, performance, etc.);

(ii) Assess internal controls in place in counterparts;

(iii) Help counterparts to understand the concepts of financial accountability;

(iv) Monitor their financial accounts and programme activities;

(d) A revised office structure had been implemented to improve control over monitoring of cash and supply assistance;

(e) The supply and information resource management functions of the country office had been consolidated with those of the UNICEF Regional Office for Eastern and Southern Africa, which was also based in Nairobi. This had both improved control over these activities and had also helped to secure economies of scale;

(f) There was now an effective segregation of duties, a more defined delegation of authority and clear lines of accountability;

(g) Systems had been established to minimize the risk of duplicate payments;

(h) A new operations officer with a strong audit and operations background had been recruited;

(i) The closure of a warehouse in November 1996 had both eliminated control risks and also secured economies, resulting in savings of $10,000 a month. All items had been sold by public auction, donated or recycled.

III. OTHER ACTIONS TAKEN

8. Flowing from the UNICEF Management Excellence Programme, regional offices now take a proactive role in terms of oversight of all field offices. To establish a more realistic span of supervision, country representatives now report to regional directors to increase accountability and oversight. This will be supported by the development of the Programme Manager System, which will contain a facility for holding representatives accountable for resource allocation decisions that can be easily identified by regional offices and headquarters. Regional management teams will evaluate regional results and lessons learned. Moreover, regional directors have clearly defined responsibility for monitoring implementation of internal audit recommendations in their regions.

9. UNICEF internal auditors have also refined their approach for identifying which offices to visit. They now take into account risk factors such as large suspense account balances and late submission of accounts. The Office of Internal Audit is tracking implementation of audit recommendations more closely and is undertaking follow-up visits in cases where there are concerns regarding implementation.

10. At headquarters level, the Division of Financial and Administrative Management is considering the establishment of an operations review section to strengthen oversight of all field offices. This would help headquarters to spot the obvious indications of problems in field offices and to ensure that corrective action was taken in response. This section would visit field offices to ensure that the offices had the capability to secure effective internal control. It would provide on-the-job training and technical assistance as required.

IV. CONCLUSION

11. The follow-up audit confirmed that the considerable efforts made to implement the auditors' 67 recommendations and to establish a strong internal control environment within the Kenya country office had secured positive results. But the strengthened controls had not been fully tested because the current, much-reduced UNICEF programme in Kenya did not yet involve a sufficient volume of transactions. The auditors expected to be able to give an assurance that strong internal controls are operating in practice following their next regular audit of the Kenya country office. In the meantime, the UNICEF Regional Office for Eastern and Southern Africa would be undertaking quarterly checks to ensure that internal controls are operating effectively. More generally, oversight of all field offices had been strengthened, and UNICEF internal auditors, when selecting field offices to visit, were taking into account the type of risk factors that had been evident in the case of the Kenya country office.